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DIRECTORATE OF  
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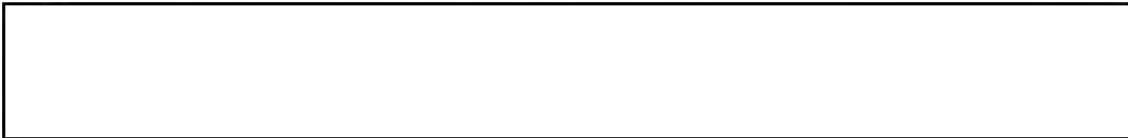
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South Vietnam: The Senate that has emerged from Sunday's elections probably will be no more tractable than its predecessor.

Nearly complete unofficial returns indicate that the three favored ten-man slates will win the 30 seats at stake in the 60-member Senate. The progovernment list headed by incumbent Senator Cao and the An Quang Buddhist-backed ticket led by Vu Van Mau are running neck and neck, with the slate headed by independent Upper House Chairman Huyen in third place.

The apparent victory of the Mau list will ensure the continuation of strong opposition in the Senate, although members of the list are among the more moderate elements in the An Quang faction. The ticket appears to have run even better than anticipated, and its strong showing may strengthen moderates within the An Quang leadership and encourage the Buddhists to be more politically active within the system rather than to promote anti-government agitation in the streets.

Prospects for the government's legislative program in the new Senate may depend on how the Huyen slate lines up. The ticket appears generally sympathetic toward the government, but it contains independent-minded men who probably will not vote consistently with either progovernment or opposition blocs.

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Malaysia: Prime Minister Rahman's announced retirement reflects the leadership's view that a return to open political activity is now manageable.

Declaring he will step down on 21 September, the Tunku announced that Parliament will reconvene in February 1971. Parliament has been suspended since rioting between the Malay and Chinese communities occurred following elections in West Malaysia in May 1969. Similar elections in East Malaysia, postponed at that time, were finally allowed in July of this year, thus setting the stage for a resumption of parliamentary rule.

The Tunku, however, also affirmed that the National Operations Council, the Malay-dominated organization that has been running the country since the "emergency" of May 1969, will continue to function "to deal with the dangers of Communist activity." This clearly is the leadership's way of indicating its intention to retain close control of national affairs. Indeed, Malay extremists would be unlikely to accept any lessening in Malay domination of the government.

Rahman named his Deputy Prime Minister, Tun Razak, as his successor. Razak, long accustomed to being number two, will probably tend to rely on the experience of the Tunku, who will not be averse to exercising his influence from behind the scenes.

[REDACTED]

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Peru: The withdrawal of European and Japanese investors from a mining consortium could have significant repercussions in the Velasco government.

The Cerro Corporation--a US mining company--has informed President Velasco that its European and Japanese partners have pulled out of the consortium put together to develop four of the company's copper concessions at an estimated cost of more than \$200 million.

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This is the first decisive reaction to the government's harassment of mining companies over the past year, and it could portend future difficulties in attracting financing for mining ventures. In addition, some foreign investors may decide to relinquish their undeveloped concessions.

Until now the Velasco regime has seemed to believe that even if its policies caused US companies to abandon their holdings in Peru, European and Japanese investors would fill the gap. The breakup of the consortium will cast serious doubt on this premise. It will almost certainly strengthen the position of the moderates in the government and the military who have opposed the government's more drastic reforms.

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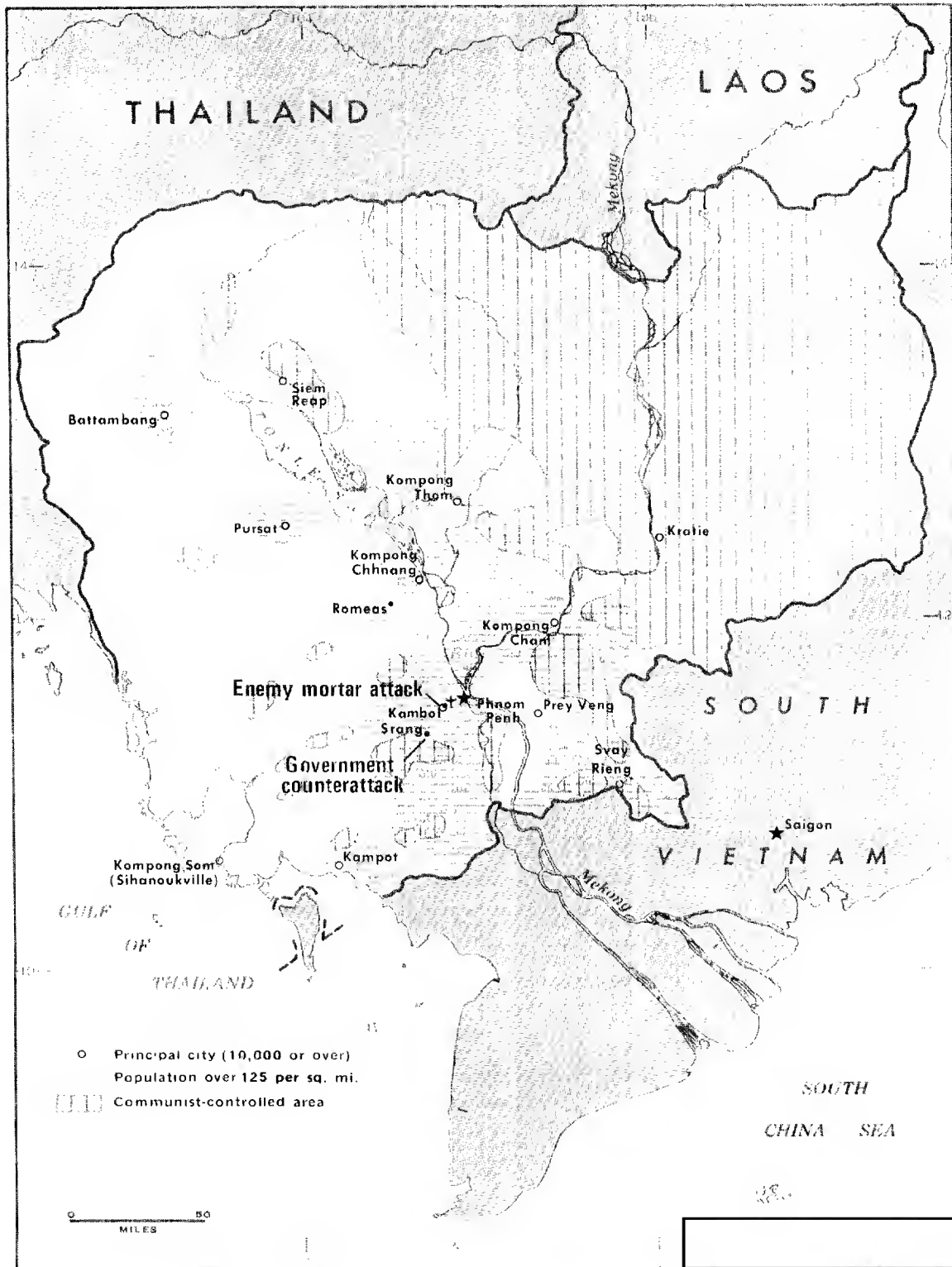
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## CAMBODIA: Current Situation



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Cambodia: The Communists yesterday made a mortar attack on the Cambodian Army training center at Kambol, some three miles southwest of Phnom Penh's Pochentong airport. [REDACTED]

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[REDACTED] This is one of the closest mortar attacks to the capital thus far.

Farther south, near the town of Srang, three battalions of government reinforcements moved to retake the town. They apparently were routed by enemy troops, according to a late press report that also claimed that some Communist troops were pushing north out of Srang toward Phnom Penh. [REDACTED]

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South Vietnam: Communist forces are sustaining their attacks in many parts of the country. Yesterday there were more shellings than the day before in contrast to previous flurries this year when the number of incidents usually declined on the second day. This rise in enemy action and continuing indications that Communist units are undergoing varying degrees of combat preparation suggest that enemy activity will continue at a higher rate than usual for the next few days. Military Regions 1, 2, and 4 continue to bear the brunt of the Communist actions. So far, the enemy is concentrating his attacks on outposts of the government's territorial security forces, which defend the villages and transportation arteries in the countryside. [REDACTED]

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